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# NMRHCA Presentation

- I. Background / Overview
- II. The Recent Past
- III. Current Status & Challenges
- IV. Reform Proposals Under Consideration

# NMRHCA Background

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- NMRHCA was created by State Statute in July, 1990 (10-7C-1 through 16) with no specific financial appropriation

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- NMRHCA began paying claims on its initial 15,000 members in January, 1991

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- NMRHCA was not prefunded like PERA or ERB

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- Statute specifically states that no contract rights are created and the benefit may be modified or “extinguished”

# NMRHCA Overview

32,000 retirees and their families (50,000 total members) rely on NMRHCA for their health insurance – FY12 budget of \$240 million

- 40% are under 65 (PPO options with \$300 to \$800 deductibles and \$3,000 to \$4,000 out-of-pocket maximums)
- 60% are over 65 (Medicare Supplement and Medicare Advantage Plans)
- NMRHCA pays about 50% of the costs with the membership paying the other 50% through annually updated premiums
- Dental, Vision and Life Insurance Plans are offered on a 100% retiree pay basis

Approximately 300 public employers (130,000 active employees) participate:

- 50% Public Schools
- 25% State of New Mexico
- 25% Municipalities, Counties, Universities (not UNM or NMSU)

# The Recent Past

## 2007

- Benefit Fund to be exhausted by 2014
- \$4.1 billion unfunded liability
- Fund balance had been drawn upon for four of the last five years (spending more than taking in)
- \$176 million fund balance
- **Action:** Subsidies for most pre-Medicare members was reduced and premiums were raised to match costs

## 2009

- Benefit Fund to be exhausted by 2019
- **Action:**
  - Active employer/employee contributions increased by 50%
  - Retiree cost-sharing increased
  - Pre-Medicare plans reduced from 3 options to 2 with higher deductibles
  - Medicare members required to pay Part B Deductible

## 2011 / 2012

- Benefit Fund positive through 2027
- \$3.3 billion unfunded liability
- \$230 million fund balance (April 2012)
- **Action:** Premiums adjusted to match actual plan costs and adopted 5-year sustainability plan

# Current Status & Future Challenges

## ■ **Status Compared To Board Goal**

- NMRHCA is currently at the 15 year goal
- Current plan structure will cause steady deterioration against the goal in each successive year unless action is taken

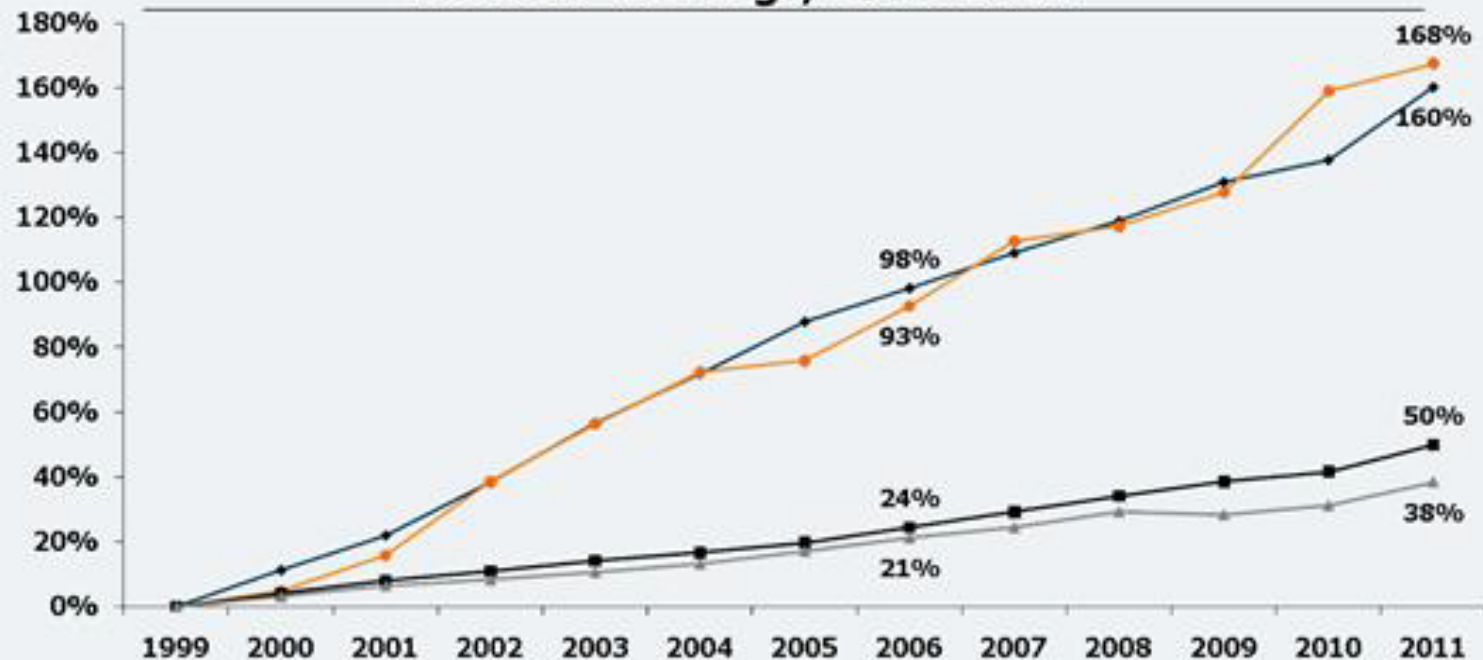
## ■ **Challenges (why action must be taken)**

- Health care costs continue to increase at a rate higher than external revenue sources (government and school payrolls)
- The average active employee (and employer) will contribute less during the average career than the average retiree will receive in subsidies over the course of an average retirement

## ■ **State-Wide Outreach meetings conducted in March and April**

- Provided current retirees with updated financial status of program and sought input for facing the challenges ahead
- Met with retiree advocacy groups (NMAER and RPENM) as well as union representatives with the same message
- Solution will require sacrifices from all parties

## Cumulative Increases in Health Insurance Premiums, Workers' Contributions to Premiums, Inflation, and Workers' Earnings, 1999-2011



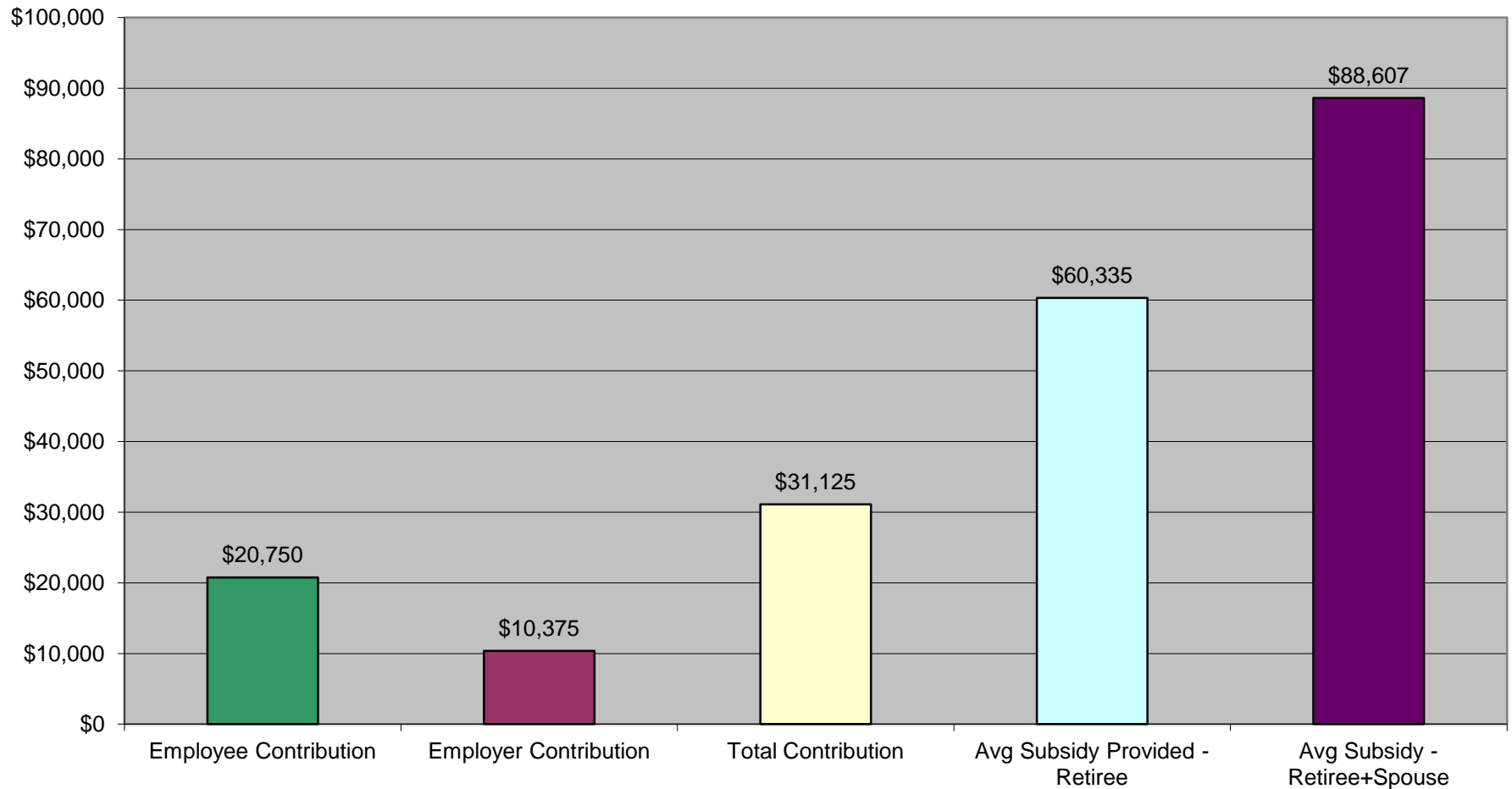
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2011. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2011; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2011 (April to April).

◆ Health Insurance Premiums  
 ◆ Workers' Contribution to Premiums  
 ◆ Workers' Earnings  
 ◆ Overall Inflation

THE KERRY L.  
KAISER  
FAMILY  
FOUNDATION

AND  
**HRET**  
HEALTH RESEARCH &  
EDUCATIONAL TRUST

**Contributions Vs. Subsidies**  
**Levels To Be Reached With Changes Effective July 1, 2010**  
**25 Years of Service**  
**@ Average of \$41,500K annual salary**



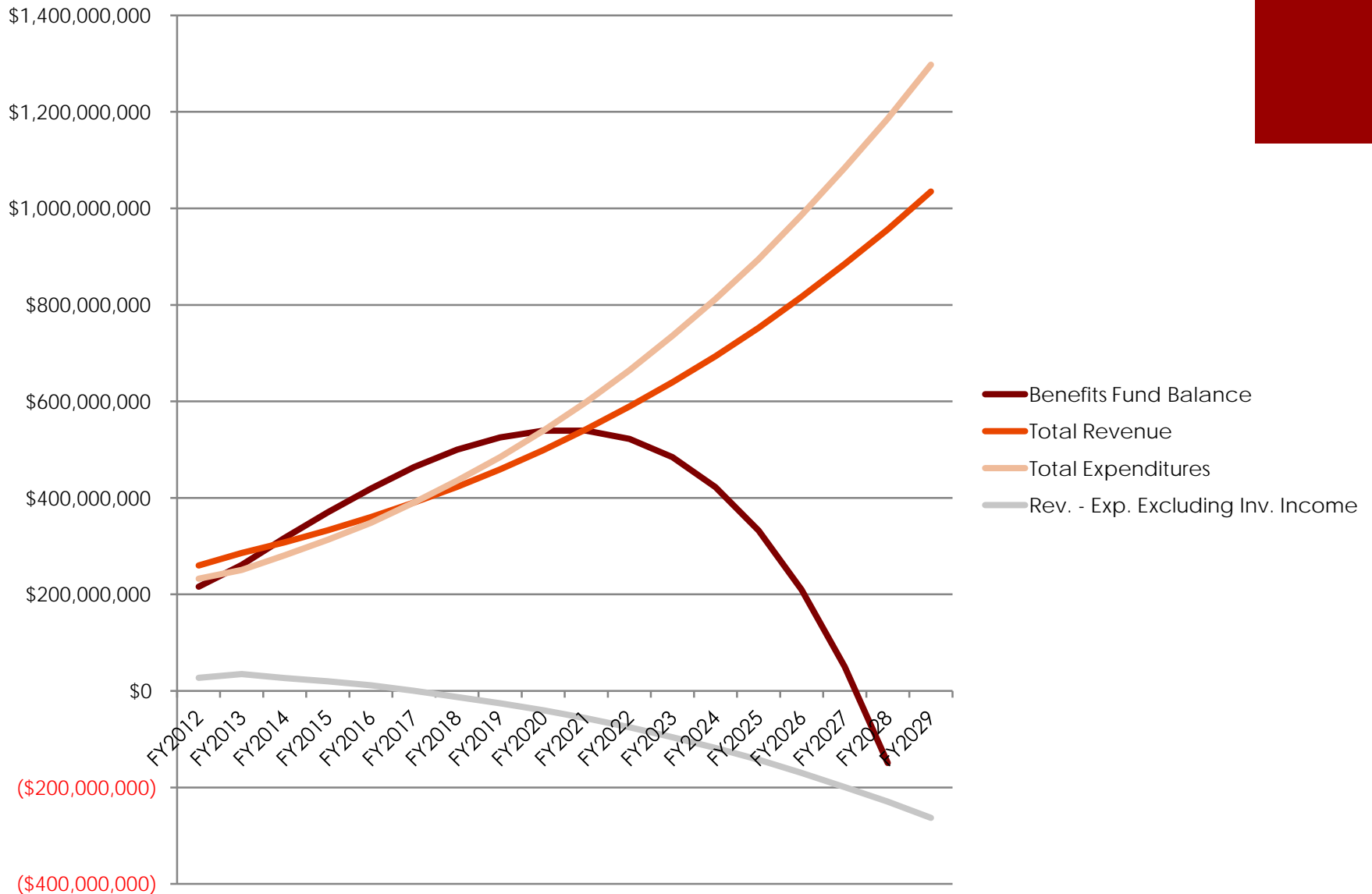


# Government Accounting Standards Board (GASB) Statement 43, Other Postemployment Benefits (OPEB)

|  | June 2006        | June 2010        |
|--|------------------|------------------|
| Actuarial Accrued Liability                            | \$4,264,180,967  | \$3,523,664,871  |
| Actuarial Value of Assets (Fund Balance)               | \$154,538,668    | \$176,922,935    |
| Unfunded Actuarial Accrued Liability                   | \$4,109,642,299  | \$3,346,741,936  |
|  |                  |                  |
| Annual Required Contribution (Amortized over 30 years) | \$392,591,254.00 | \$326,994,988.00 |

# Fund Balance Projection

10



# Reforms Being Prioritized For Five-Year Strategic Plan To Attain Solvency through 2042

11

## **I. Remove any “Family Coverage” subsidies for Dependents – Phased in over two years**

|                         |                            |
|-------------------------|----------------------------|
| # of retirees impacted: | 536 retirees / 670 members |
| Total \$ Impact:        | \$1.3 million              |
| Impact per retiree:     | \$202 per month            |

## **II. Increase Cost Sharing on Prescription Coverage in 2013 (Stabilize Plan/Member Share Percentage)**

|                         |                           |
|-------------------------|---------------------------|
| # of retirees impacted: | 22,000members             |
| Total \$ Impact:        | \$2.8 million             |
| Impact per retiree:     | \$11 per member per month |

## **III. Increase years of service required to receive maximum subsidy from 20 to 25**

|                         |                        |
|-------------------------|------------------------|
| # of retirees impacted: | 7,792 members          |
| Total \$ Impact:        | Up to: \$5.3 million   |
| Impact per retiree:     | Up to: \$133 per month |

## **IV. Reduce Pre-Medicare Spousal Subsidies by 10% - Phased in over three years**

|                         |                                      |
|-------------------------|--------------------------------------|
| # of retirees impacted: | 4,200                                |
| Total \$ Impact:        | \$3.5 million                        |
| Impact per retiree:     | Average of \$72 per member per month |

## **V. Increase cost-sharing of Pre-Medicare Plans (increase deductibles and out-of-pocket maximums)**

|                         |                |
|-------------------------|----------------|
| # of retirees impacted: | 18,000         |
| Total \$ Impact:        | \$3.5 million  |
| Impact per retiree:     | \$16 per month |

# Reforms Being Prioritized for Five-Year Strategic Plan

12

## **VI. Reduce Pre-Medicare Retiree Subsidies by 5% (to 60%)**

|                         |   |
|-------------------------|---|
| # of retirees impacted: | 11,200                                  |
| Total \$ Impact:        | \$3.4 million                           |
| Impact per retiree:     | Average of \$25.50 per member per month |

## **VII. Enhanced Wellness Program (Premium Differential for participation/health status)**

|                         |                                   |
|-------------------------|-----------------------------------|
| # of retirees impacted: | 10,000 (20% of membership)        |
| Total \$ Impact:        | \$3 million (2% overall increase) |
| Impact per retiree:     | \$25 per member per month         |

## **VIII. Implement Graduated Minimum Age (or adhere to pension mandates)**

|                         |                                    |
|-------------------------|------------------------------------|
| # of retirees impacted: | N/A                                |
| Total \$ Impact:        | Varies depending on implementation |
| Impact per retiree:     | N/A                                |

## **IX. Increase Employer/Employee Contribution by 2.25% Phased In over 5 years**

|                         |                                     |
|-------------------------|-------------------------------------|
| # of retirees impacted: | N/A                                 |
| Total \$ Impact:        | \$90 million when fully implemented |
| Impact per retiree:     | N/A                                 |

